

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 EB-07 AGR-05 NEAE-00 AID-05 IGA-01 L-03

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P 311605Z JUL 75

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC PRIORITY 5533

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E.O. 11652: NA

TAGS: EFIN EG

SUBJECT: EGYPTIAN ARREARAGES

REF: STATE 177768

SUMMARY: GOE STARTED 1975 WITH CLEAN SLATE AS FAR AS PAYMENTS TO USG FOR OUTSTANDING DEBT ARE CONCERNED. CURRENT ARREARAGE PROBLEM HAS ARISEN BECAUSE OF TEMPORARY SHORTAGE OF HARD CURRENCY TO SERVICE DEBT. GOE MADE SUBSTANTIAL PAYMENTS ON CCC AND PL 480 ARREARAGES IN JUNE AND JULY AND EMBASSY BELIEVES THAT SITUATION WILL CLEAR ITSELF UP IN NEXT FEW MONTHS
END SUMMARY.

1. EGYPTIANS HAVE MADE FOLLOWING PAYMENTS IN JULY ON ARREARAGES DESCRIBED PARA 2 REFTEL:

A. UNDER GSM-3 GOE PAID 774,414.49 DOLLARS REPRESENTING PAYMENT DUE APRIL 1, 1975 AND 8,475,665.00 DOLLARS REPRESENTING PAYMENT DUE JAN 1, 1975.

B. UNDER PL 480 GOE PAID 251,927.66 DOLLARS REPRESENTING PAYMENT DUE ON APRIL 1, 1975 AND 143,205.34 DOLLARS REPRESENTING PAYMENT DUE ON APRIL 1, 1975. TOTAL ARREARAGE THEREFORE REDUCED BY 9,645,212.49 DOLLARS TO 6,184,411.11 DOLLARS.

2. AS DEPT IS AWARE GOE HAS FROM TIME TO TIME BEEN IN ARREARS
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ON PAYMENTS FOR INDEBTEDNESS TO US. WE HAVE TAKEN MATTER

OF ARREARS UP WITH EGYPTIANS ON SEVERAL OCCASIONS OVER PAST YEAR
AND IN ALL CASES THEY HAVE RESPONDED POSITIVELY TO OUR REQUESTS TO
PAY. PREVIOUS COMPOSITION OF ARREARS REFLECTED MAINLY
BUREAUCRATIC SLOWNESS IN PROCESSING PAYMENT REQUESTS. AS
OF JAN 1975 EGYPTIANS WERE CURRENT ON ALL DOLLAR AND POUND
ARREARAGES.

3. CURRENT ARREARAGES REPRESENT TEMPORARY LACK OF HARD
CURRENCY WITH WHICH TO SERVICE DEBT. VERY SHORT TERM
COMMERCIAL BANKING CREDIT LIABILITIES ATE UP ALL AVAILABLE
HARD CURRENCY OVER PAST SIX MONTHS. THIS HAS BEEN TRADITIONAL
EGYPTIAN PAYMENTS PROBLEM IN THE PAST AND IT WILL LIKELY
CONTINUE BE PAYMENTS PROBLEM IN THE FUTURE.

4. AS DEPT AND AGRICULTURE ARE NOW AWARE, EGYPTIANS HAVE
MADE RATHER SUBSTANTIAL PAYMENTS ON THEIR OUTSTANDING CCC
(BOTH GSM3 AND GSM4) AND PL 480 COMMITMENTS DUE IN THE
MONTHS OF JUNE AND JULY. CCC PAYMENTS STATEMENT DATED
JUNE 17, 1975 AND STATEMENT DATED JUNE 30, 1975 SHOW MORE
THAN 600,000 DOLLARS WERE PAID ON GSM-4 ARREARAGES. IN
ADDITION, DURING MONTH OF JULY GOE MADE PAYMENTS OF
9,645,212.49 (SEE PARA 1) ON THEIR OUTSTANDING AND CONSOLIDATED
AND PL 480 DEBT. GOE ALSO PAID EXIM 1971 CONSOLIDATED PAYMENT
IN EARLY JUNE.

5. EMBOFF APPROACHED NATIONAL BANK OF EGYPT PRESIDENT
HAMID SAYEH JULY 31 RE OUTSTANDING GSM-4 LETTERS OF CREDIT.
SAYEH TOLD EMBOFF THAT, WHILE RECENTLY PAYMENTS HAD BEEN
PROBLEM, SITUATION HAD NOW BEEN REMEDIED AND HE DID NOT
UNDERSTAND WHY THERE SHOULD BE ANY OUTSTANDING CCC LETTERS
OF CREDIT. HE THEN CALLED HEAD OF FOREIGN CREDIT DIVISION AND
INSTRUCTED HIM TO PREPARE STATUS REPORT ON ALL CCC LETTERS OF
CREDIT WHICH WILL BE MADE AVAILABLE TO EMBASSY ON AUGUST 4.
EMBASSY BELIEVES CURRENT PAYMENTS DIFFICULTY WILL CLEAR ITSELF
UP IN SHORT PERIOD.

6. IN DISCUSSION WITH HEAD OF FOREIGN CREDIT DEPARTMENT
FOLLOWING MEETING WITH SAYEH, WE WERE INFORMED THAT CCC
HAS TURNED DOWN REQUEST FOR TWO TOBACCO LETTERS OF CREDIT
FROM BANK OF AMERICA AND CHEMICAL BANK OF NY. BASIS
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FOR REFUSAL WAS THAT NATIONAL BANK HAS EXHAUSTED ITS QUOTE
QUOTA UNQUOTE FOR CCC LETTERS OF CREDIT. SUPPLIERS ADVISED
NATIONAL BANK THAT CCC WOULD OPEN LETTERS OF CREDIT IN BANK
OF ALEXANDRIA OR BANK MISR. NATIONAL BANK POINTS OUT THAT
UNDER CURRENT BANKING REGULATION, IT IS ONLY BANK ELIGIBLE TO
DEAL IN FOREIGN EXCHANGE AND, THEREFORE, ALL CCC LETTERS OF
CREDIT MUST BE OPENED THROUGH NATIONAL BANK. NATIONAL BANK
INFORMED US THAT IT HAD OPENED ON JULY 28 TWO NEW LETTERS OF

CREDIT WITH MARINE MIDLAND BANK AND FIRST NATIONAL CITY BANK,
BOTH FOR THE SUPPLY OF TOBACCO AND REQUESTED THEY BE PROCESSED
NORMALLY. EMBASSY WOULD APPRECIATE CCC LOOKING INTO STALLED
LETTERS OF CREDIT. (FYI- UNDER NEW BANKING LAW PASSED BY
ASSEMBLY JULY 28, OTHER BANKS WILL BE ABLE TO DEAL
IN FOREIGN CURRENCY. HOWEVER, LAW HAS NOT YET GONE INTO
EFFECT. END FYI)
EILTS

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DEBTS, BALANCE OF PAYMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 31 JUL 1975
Decapton Date: 01 JAN 1960
Decapton Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975CAIRO07517
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750264-0740
From: CAIRO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t1975071/aaaaaago.tel
Line Count: 123
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 STATE 177768
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 30 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <30 JUL 2003 by MartinML>; APPROVED <23 DEC 2003 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
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EO Systematic Review
06 JUL 2006

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Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EGYPTIAN ARREARAGES
TAGS: EFIN, EG, US
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006